

Message Text

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C O N F I D E N T I A L CAIRO 18012

E.O. 11652: GDS
TAGS: EAID, EFIN, IMF, EG
SUBJECT: IMF REFORM PROGRAM

1. IN SEPARATE DISCUSSIONS WITH USAID DIRECTOR, TWO SENIOR GOE OFFICIALS INDICATED CONTINUED STRONG INTEREST IN ACHIEVING AGREEMENT WITH IMF OVER REFORM PROGRAM, BUT DEMONSTRATED DIFFERING VIEWS AS TO INTERNAL POLITICAL DIFFICULTIES FACED BY ECONOMIC MINISTERS IN REACHING SUCH AGREEMENT.

2. MINISTRY OF ECONOMY AND ECONOMIC COOPERATION UNDER SECRETARY GAMAL EL NAZER GAVE QUITE OPTIMISTIC VIEW ON PROGRESS MADE IN GOE-IMF DISCUSSIONS DURING RECENT VISIT BY IMF' GUNTER. HE BELIEVED THAT FACT ECONOMIC MINISTERS MET WITH GUNTER ALWAYS AS A GROUP RATHER THAN INDIVIDUALLY HELPED MUTE SOME OF THE DISAGREEMENT WHICH MIGHT OTHERWISE HAVE OCCURRED (THIS DIFFERS FROM IMF'S DICKEY POINT OF VIEW, SUBJECT SEPTEL, IN WHICH HE STATED THAT PLANNING MINISTER IMAM'S STRONG PITCH TO OTHER ECONOMIC MINISTERS ON PRICE EFFECTS OF REFORM HAD REPRESENTED A DEFINITE SETBACK IN PROGRESS ACHIEVED UP TO THAT POINT). GAMAL EL NAZER ALSO EXPRESSED OPTIMISM THAT AS FURTHER DETAILS OF REFORM PROGRAM ARE WORKED OUT AND DISCUSSED WITH GUNTER UPON HIS RETURN IN MID-JANUARY, THERE WOULD NOT BE
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SUBSTANTIAL PROBLEMS IN OBTAINING COUNCIL OF MINISTERS APPROVAL. GAMAL EL NAZER NOTED SPECIFICALLY IN THAT CONTEXT THE VERY STRONG SUPPORT THAT WAS BEING GIVEN TO THE ECONOMIC MINISTERS BY FOREIGN MINISTER FAHMY, WHO APPARENTLY STRESSED THE IMPORTANCE THAT THE REFORM PROGRAM WOULD HAVE ON RELATIONS WITH ALL DONORS.

3. MINISTER OF FINANCE HAMID WAS, HOWEVER, FAR MORE CAUTIOUS IN HIS VIEWS ON WHETHER FULL GOVERNMENTAL AND PEOPLE'S ASSEMBLY SUPPORT COULD BE FOUND FOR REFORM PROGRAM. HE REITERATED THAT DEPUTY PRIME MINISTER EL KAISOUNI AND OTHER KEY ECONOMIC MINISTERS CONTINUED TO BE CONVINCED THAT AGREEMENT WITH IMF IS ESSENTIAL. HE STATE HE HAD ACCEPTED POSITION AS MINISTER OF FINANCE NOT FOR ANY POLITICAL AMBITIONS BUT BECAUSE THERE WERE IMPORTANT THINGS WHICH HE FELT HE COULD DO AND ACHIEVING AGREEMENT ON REFORM WAS ONE SPECIFIC ELEMENT. BUT HE EMPHASIZED THAT THERE CONTINUED TO BE CONSIDERABLE CONTROVERSY WITHIN CABINET OVER EFFECTS AND IN FACT THE NECESSITY FOR ACHIEVING AGREEMENT WITH MF. SPECIFICALLY, HE STATED THAT ONE OF THE PROBLEMS HE AND HIS COLLEAGUES IN ECONOMIC MINISTRIES HAD IN THEIR DEALINGS WITH OTHER CABINET MEMBERS WAS DIFFICULTY IN DEMONSTRATING WHAT SPECIFIC BENEFITS IN TERMS OF DEVELOPMENT FINANCING MIGHT BE AVAILABLE AS A RESULT OF ACCEPTANCE OF REFORM PACKAGE. HE WAS WELL AWARE THAT MANY DONORS WERE SHOWING RELUCTANCE TO PROVIDE ADDITIONAL SUPPORT TO EGYPT UNTIL REFORM IS ACCEPTED, BUT AT PRESENT ECONOMIC MINISTERS CAN NOT POINT TO SPECIFIC NEW RESOURCE FLOWS WHICH MIGHT OCCUR IF IN FACT GOE TAKES THE MEDICIEN DONORS ARE PRESCRIBING. EILTS

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